

**Introduced by Senator Chesbro**

February 5, 2003

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An act to amend Section 22825.01 of the Government Code, relating to the Rural Health Care Equity Program.

LEGISLATIVE COUNSEL'S DIGEST

SB 126, as introduced, Chesbro. Rural Health Care Equity Program: reimbursements.

Until January 1, 2005, or earlier, as specified, the Rural Health Care Equity Program, as administered by the Department of Personnel Administration, provides subsidies and reimbursements for certain health care premiums and health care costs incurred by state employees and annuitants in rural areas in which there is no board-approved health maintenance organization plan available for enrollment. Existing law specifies that reimbursement to an annuitant may not exceed \$500 per year, or \$75 per month, if a Medicare participant.

This bill would extend the operation of the Rural Health Care Equity Program to January 1, 2008. The bill would also increase the monthly reimbursement amount to \$85.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 22825.01 of the Government Code is
- 2 amended to read:
- 3 22825.01. (a) As used in this section, the following
- 4 definitions shall apply:

(1) A “rural area” means an area in which there is no board-approved health maintenance organization plan available for enrollment by state employees or annuitants who live in the area.

(2) “Coinsurance” means the provision of a medical plan design in which the plan or insurer and state employee or annuitant share the cost of hospital or medical expenses at a specified ratio.

(3) A “deductible” means the annual amount of out-of-pocket medical expenses that state employees or annuitants must pay before the insurer or self-funded plan begins paying for expenses.

(4) “Department” means the Department of Personnel Administration.

(5) “Program” means the Rural Health Care Equity Program.

(b) (1) The Rural Health Care Equity Program is hereby established for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care costs, which would otherwise be covered if the state employee or annuitant was enrolled in a board-approved health maintenance organization plan, paid by employees and annuitants living in rural areas, as authorized by this section. The program shall be administered by the department or by a third-party administrator approved by the department in a manner consistent with all applicable state and federal laws. The board shall determine the rural area for each subsequent fiscal year at the same meeting when the board approves premiums for health maintenance organizations.

(2) Separate accounts shall be maintained within the program for ~~(A) employees~~ *all of the following*:

(A) *Employees*, as defined in subdivision (c) of Section 3513; ~~(B) excluded.~~

(B) *Excluded* employees, as defined in subdivision (b) of Section 3527; ~~and (C) annuitants.~~

(C) *Annuitants*, as defined in subdivision (e) of Section 22754.

(c) Moneys in the Rural Health Care Equity Program shall be allocated to the separate accounts as follows:

(1) As the employer’s contribution with respect to each employee, as defined in subdivision (c) of Section 3513, who lives in a rural area and who is otherwise eligible, an amount to be determined through the collective bargaining process.

(2) As the employer's contribution with respect to each excluded employee, as defined in subdivision (b) of Section 3527, who lives in a rural area and who is otherwise eligible, an amount equal to, but not to exceed, the amount given to eligible state employees, as defined in subdivision (c) of Section 3513, who live in a rural area.

(3) As the employer's contribution with respect to each annuitant, as defined in subdivision (e) of Section 22754, who lives in a rural area, is not a Medicare participant, and who is otherwise eligible, an amount not to exceed five hundred dollars (\$500) per year.

(4) As to the state's contribution with respect to each state annuitant, as defined in subdivision (e) of Section 22754 who lives in a rural area, participates in a board-approved, Medicare-coordinated health plan, participates in a board-approved health plan, and is otherwise eligible, an amount equal to the Medicare Part B premiums incurred by the annuitant, not to exceed ~~seventy-five dollars (\$75)~~ *eighty-five dollars (\$85)* per month. The state ~~shall~~ *may* not reimburse for penalty amounts.

(5) As to an employee who enters state service or leaves state service during a fiscal year, contributions for the employee shall be made on a pro rata basis. A similar computation shall be used for anyone entering or leaving the bargaining unit, including a person who enters the bargaining unit by promotion in mid-fiscal year.

(d) Each fund of the State Treasury, other than the General Fund, shall reimburse the General Fund for any sums allocated pursuant to subdivision (c) for employees whose compensation is paid from that fund. That reimbursement shall be accomplished using the following methodology:

(1) On or before December 1 of each year, the Department of Personnel Administration shall provide a listing of active state employees who participated in the Rural Health Care Equity Program in the immediately preceding fiscal year to each employing department.

(2) On or before January 15 of each year, every department that employed an active state employee identified by the Department of Personnel Administration as a participant in the Rural Health Care Equity Program shall provide the Department of Personnel Administration with a listing of the funds used to pay each

1 employee's salary, along with the proportion of each active state  
2 employee's salary attributable to each fund.

3 (3) Using the information provided by the employing  
4 departments, the Department of Personnel Administration shall  
5 compile a listing of Rural Health Care Equity Program payments  
6 attributable to each fund. On or before February 15 of each year,  
7 the Department of Personnel Administration shall transmit this list  
8 to the Department of Finance.

9 (4) The Department of Finance shall certify to the Controller  
10 the amount to be transferred from the unencumbered balance of  
11 each fund to the General Fund.

12 (5) The Controller shall transfer to the General Fund from the  
13 unencumbered fund balance of each impacted fund the amount  
14 specified by the Department of Finance.

15 (6) To ensure the equitable allocation of costs, the Director of  
16 the Department of Personnel Administration or the Director of  
17 Finance may require an audit of departmental reports.

18 (e) For any sums allocated pursuant to subdivision (c) for  
19 annuitants, funds, other than the General Fund, shall be charged a  
20 fair share of the state's contribution in accordance with the  
21 provisions of Article 2 (commencing with Section 11270) of  
22 Chapter 3 of Part 1 of Division 3 of Title 2. On or before July 31  
23 of each year, the Department of Personnel Administration shall  
24 provide the Department of Finance with the total costs allocated  
25 pursuant to subdivision (c) for annuitants in the immediately  
26 preceding fiscal year. The reported costs ~~shall~~ may not include  
27 expenses that have been incurred but not claimed as of July 31.

28 (f) Notwithstanding any other provision of law and subject to  
29 the availability of funds, moneys within the Rural Health Care  
30 Equity Program shall be disbursed for the benefit of an employee  
31 who lives in a rural area and who is otherwise eligible. The  
32 disbursements shall, where there is no board-approved health  
33 maintenance organization plan available in an area that is open for  
34 enrollment for the employee, (1) subsidize the preferred provider  
35 plan premiums for the employee, by an amount equal to the  
36 difference between the weighted average of board-approved  
37 health maintenance organization premiums and the lowest  
38 board-approved preferred provider plan premium available under  
39 this part and (2) reimburse the employee for a portion or all of his  
40 or her incurred deductibles, coinsurances, and other out-of-pocket

1 health-related expenses, that would otherwise be covered if the  
2 employee were enrolled in a board-approved health maintenance  
3 organization plan.

4 These subsidies and reimbursements shall be provided  
5 according to a plan determined by the department, which may  
6 include, but is not limited to, a supplemental insurance plan, a  
7 medical reimbursement account, or a medical spending account  
8 plan.

9 (g) Notwithstanding any other provision of law and subject to  
10 the availability of funds, moneys within the Rural Health Care  
11 Equity Program shall be disbursed for the benefit of eligible  
12 annuitants, as defined in subdivision (e) of Section 22754, who  
13 live in rural areas and who are otherwise eligible. The  
14 disbursements shall, where there is no board-approved health  
15 maintenance organization plan available and open to enrollment  
16 by the annuitant, either (1) reimburse the annuitant if he or she is  
17 not a Medicare participant, for some or all of his or her deductibles,  
18 not to exceed five hundred dollars (\$500) per fiscal year, or (2)  
19 reimburse Medicare Part B premiums incurred by the annuitant,  
20 not to exceed ~~seventy-five dollars (\$75)~~ *eighty-five dollars (\$85)*  
21 per month, exclusive of penalties. These reimbursements shall be  
22 provided by the department.

23 The state ~~shall~~ *may* not reimburse for penalty amounts.

24 (h) Any moneys remaining in any account of the program at the  
25 end of any fiscal year shall remain in the account for use in  
26 subsequent fiscal years until the account is terminated. Moneys  
27 remaining in any account of the program upon termination, after  
28 payment of all outstanding expenses and claims incurred prior to  
29 the date of termination, shall be deposited in the General Fund.

30 (i) The Legislature finds and declares that the Rural Health  
31 Care Equity Program is established for the exclusive benefit of  
32 employees, annuitants, and family members.

33 (j) This section shall cease to be operative on January 1, ~~2005~~  
34 ~~2008~~, or on ~~such~~ *an* earlier date ~~as~~ *if* the board makes a formal  
35 determination that HMOs are no longer the most cost-effective  
36 health care plans offered by the board.